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Debt Judgments as a Reflection of Consumption-Related Debt Problems

K. Majamaa¹ · A.-R. Lehtinen² · K. Rantala¹

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Abstract

In connection with the strengthening and enlargement of financial markets, i.e., financialization, financial services and products play a major role in the everyday lives of consumers. One drawback of this trend is the increase in the number of debt problems. The data used in this article consist of Finnish district-court judgments related to debt that in most cases was consumption-related, and register-based data on debtors. We first compare debtors to the entire population of Finland by age, gender, marital status, and education, and also in different age groups. The focus then turns to the four most common types of debt in the judgments (based on consumer credit, operator services, distance selling, and credit card debts), and how age, gender, marital status, and education related to these debt types. According to the results, consumers under 30 years of age, in particular, men, those with a basic level of education, and the divorced were over-represented in the data, compared to the overall Finnish population. Young single adults were particularly likely to have accrued smaller amounts of debt related to instant loans and operator services, whereas more extensive consumer credit as well as credit card debt tended to be a problem among retirees. Credit card debt, as well as debts to lending firms, were more common among those with tertiary education than among those with a basic education. Overall, the adverse effects of financialization focused especially on young people with a low level of education. The results also indicate that legislation could partly reduce the negative effects of financialization.

Keywords Debt problem · Debt judgment · Consumer credit · Young adults · Financialization · Finland

Introduction

The opening up of financial markets, mass production, intense commercialization, and an explosive growth in marketing have increased consumption and, consequently, the risk of

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living beyond one's means (Calder 1999; Montgomerie 2007, 2009; Sullivan et al. 2000). This development has been facilitated by the strengthening of both financial markets and the position of financial elites, in other words, financialization. Technological advances in data processing and telecommunications, as well as deregulation in both employment and financial markets, have facilitated this process (Lapavistas 2009). In the everyday lives of consumers, financialization reflects the need for better financial management and growing individual responsibility related to personal finances (Martin 2002).

Banks have traditionally been rigorous in ensuring the customer's ability to pay and evaluating their own risks in terms of providing loans, but the advent of financialization has dramatically increased the number of companies offering unsecured credit. Consuming via debt has become generally acceptable and easy, but on the other hand, the abundance of credit systems and payment methods could easily lead an over-optimistic consumer into debt (Raijas et al. 2010). Indeed, debt problems are affecting a growing number of households trying to manage everyday life burdened with increasingly many debt relationships (Hiilamo 2018; Sullivan et al. 2000; Trumbull 2012; Valkama and Muttillainen 2008).

Debt-collection procedures vary from country to country (e.g., Hiilamo 2018). In Finland, debt claims that originate from the private sector are handled in court if the voluntary collection, in other words, due date reminders and payment orders do not lead to payment, and if the debt collector decides to take the matter to court. Such claims relate mainly to consumption. In 2016, they accounted for about one third of all debt related court judgments made in Finland, although in terms of euros they accounted for more than half of the value of claims that were eventually enforced (National Administrative Office for Enforcement 2017). Debt claims originating from the public sector, such as tax payments, vehicle insurance, and fines and charges for social and health services, are directed to debt-enforcement agents without the need for a court judgment.

The following analysis applies only to Finnish debt claims that originate from the private sector, and the subsequent court judgments, and excludes business-related debts. The data on court judgments do not include student loans and housing loans, which differ from other private sector loans.¹ The data we use, which is based on a random sample, consist of just under 5000 judgments for debt issued by district courts in 2014–2015 and in the first half of 2016. Statistics Finland also supplied us with register-based data that give complementary sociodemographic-background information on the debtors included in this sample from the years 2012–2014. Analysis of this material will yield information about the origin of debt claims under private law and the background of indebtedness.

The following section deals with financialization, the increase in debt problems, and earlier research on the issue. After this, we present the data and the methodology in more detail. In the “Results” section we analyse, first, those who have been given a court judgment in general terms: How they differ from the population of Finland as a whole with regard to age, gender, marital status, and education. We then examine the extent to which age, gender, marital status, and education are associated with the four most common types of debt, in other words, debt related to (1) consumer credit, (2) operator services, (3) distance selling, and (4) credit card use; if there is an association, what is it? In the final section, we summarize the results and present our conclusions. To our knowledge, this is the first systematic analysis in which

¹ The student loan is a government-guaranteed loan granted by Finnish banks. If a student is unable to repay the loan, the Social Insurance Institution of Finland (Kela) will do so on his or her behalf and will later collect the paid amount from the debtor (FSA 2014). Banks require housing loans to be secured by a collateral, which is usually the house or apartment purchased and some savings (FSA 2018).

sociodemographic-background variables are associated with different types of consumption-related unpaid debts.

Background

The Strengthening of Financial Markets and the Spread of Debt Problems

Deregulation and the notable growth of financial markets have encouraged research in various disciplines. The concept of financialization is used to describe the strengthening and enlargement of financial markets. According to Epstein (2005), financialization refers to a process through which the power and control of financial markets and institutions have grown since the 1970s. For example, van der Zwan (2014) raises up three approaches to financialization: “the emergence of a new regime of accumulation,” “the ascendancy of the shareholder value orientation,” and “the financialization of everyday life” (Dobbin and Jung 2010; Erturk et al. 2007; Krippner 2005; Martin 2002). Our approach identifies financialization as “financialization of the everyday.”

For the investing subject, financialization is reflected, *inter alia*, in the major role that financial services and products play during the different stages of life and in their financing (Epstein 2005; Erturk et al. 2007). Moreover, credit is being offered by companies whose main business thus far has not been to provide finance (Allon 2015), and to households that have been excluded from the credit market, namely low-income households (Allon 2015; Karacimen 2014; Rantala and Tarkkala 2010). According to Poppe and his colleagues (Poppe et al. 2016), the most expensive forms of loans and credit are offered to the most exposed households. On the other hand, Erturk and his colleagues (Erturk et al. 2007) describe financialization as the democratization of finance because financial products and services are nowadays available to large parts of the population. We are interested in understanding to which extent financial products, for example, consumer credit are behind the debt problems, and we try to highlight the risk groups who are more vulnerable to financial risks.

Access to easy loans is problematic when it concerns over-optimistic consumers with little liquidity (Sevim et al. 2012). Indeed, debt-based living is self-evident for many on a low income in that reduced governmental support and slow wage development do not guarantee the desired standard of living (Houle 2014; Montgomerie 2007, 2009; Sevim et al. 2012). The integration of households into the financial market has also increased the responsibility of individuals for their own financial situation and future in terms of financing studies and pensions, for example (Hiilamo 2018; Montgomerie 2007, 2009; Taylor et al. 2011). Overall, financialization has increased the dependence of households on borrowed funds (Allon 2015; Karacimen 2014), which has created a source of debt problems in Western countries including Finland (Oksanen et al. 2015; Allon 2015; Hiilamo 2018).

Financial markets were liberated in Finland in 1986. Consequently, and increasingly, more Finnish consumers had access to credit and debt problems started to increase (Mutttilainen 2002). The economic depression of the 1990s exacerbated these problems, which many Finnish households faced on a more permanent basis (*ibid*). There was an improvement in the situation at the end of the 1990s and the beginning of the 2000s, but since the economic collapse in 2008 an ever-increasing number of Finnish households have been faced with debt problems (Hiilamo 2018; Oksanen et al. 2015).

District-Court Judgments and Payment-Default Notices as Indicators of Debt Problems in Finland

One way of shedding light on debt problems is to analyse debt judgments, that is, court judgment for debt (e.g., Valkama and Mutttilainen 2008; Rantala and Tarkkala 2009, 2010; Majamaa et al. 2016, 2017). Three significant redeeming features related to debt judgments should be mentioned: There is hardly any bias due to the withdrawal of debtors; these public documents give an extensive overview of mainly consumption-based debt problems; and debt judgments contain a great deal of information including the name of the original creditor, the possible collection agency, the amounts and interest related to unpaid debt(s), court costs, and the debtor's age and gender (Majamaa et al. 2016).

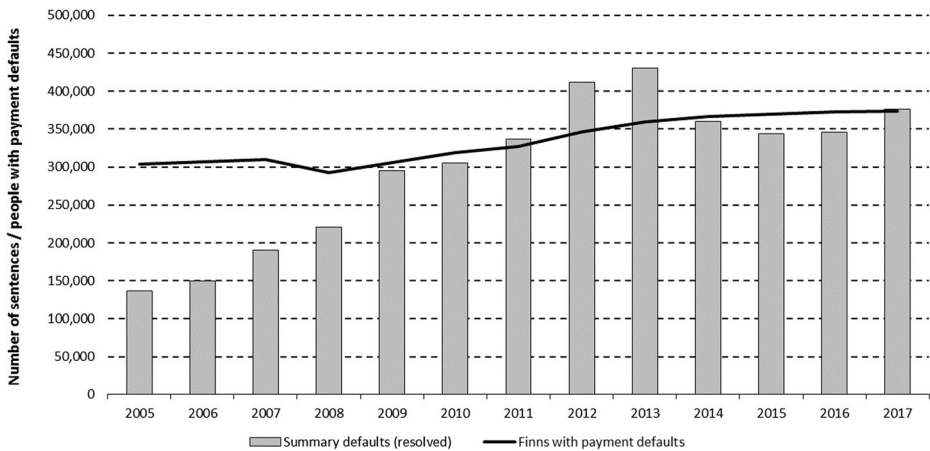
What is the process through which the consumer receives a court judgment related to debt? Simply put, if a debtor does not settle an overdue invoice or loan repayment after several reminders and payment requests, the creditor may apply to the district court for a judgment. The debtor is then obliged to pay back the debt to the creditor in accordance with the judgment. If the debtor fails to do so, the next phase of debt enforcement is triggered. As a result of a debt judgment, the debtor will receive a payment-default notice. Although the aim of the payment-default notice is to prevent borrowing beyond one's means there is even less flexibility in terms of financial management. Securing a bank loan without a guarantor is difficult. For example, it is almost impossible to obtain credit cards and to buy goods against an invoice, renting an apartment becomes more difficult, and even getting a job is impossible in some fields of employment.

Recent Developments Related to Summary Defaults and Debt Judgments

Analyses of the processing of resolved sentences on summary defaults in Finnish district courts illustrate nationwide developments in terms of numbers (see Fig. 1). Approximately, four out of five resolved sentences are default judgments on debt claims. With the exception of a few "proper" disputes between individuals, dealing with debt issues involving individuals and lending companies, for example, is a mass process in which matters are handled in writing and quickly. The number of cases resolved in the district courts was growing significantly until recently (Fig. 1), more than tripling from 136 000 cases in 2005 to 430 300 in 2013 (Ministry of Justice 2008, 2013, 2017).

Instant loan markets have been on the increase in Finland since 2005, and weak regulation has been an important factor behind this growth, as has the demand for such loans (Valkama and Mutttilainen 2008). With respect to this enlargement, young consumers, in particular, have faced severe debt problems. Indeed, according to Finnish studies and statistics (Valkama and Mutttilainen 2008; Autio et al. 2009; Rantala and Tarkkala 2009; Suomen Asiakastieto Oy 2011), there was a robust increase in debt-collection cases in the category of consumer credits² during the years 2005–2011 (see also Fig. 1): from 17% of all debt-collection cases in 2005 to 58% in 2010 (Suomen Asiakastieto Oy 2011). This is notable given that the number of debt cases more than doubled during these years (Fig. 1). Even so, according to recent studies (Majamaa et al. 2016, 2017), there was a slight percentage decrease in these types of debt between the years 2013–2016 against an increase in other types of debt such as that related to e-commerce and online peer-to-peer transactions.

² The category of consumer-based debts includes credit card debts, instant loans, and consumer credit incurred by banks, credit companies, and lending firms.



Source: Rantala & Tarkkala (2009); Ministry of Justice (2008); (2013); (2017); (2018); Suomen Asiakastieto Oy (2017a); (2018)

Fig. 1 The numbers of summary defaults (resolved) in Finnish District Courts, as well as the numbers of people in default at the end of the year, 2005–2017

Many attempts have been made to curb debt problems among Finnish consumers, mainly through legislative measures. The most recent legal reform related to interest and other expenses associated with unsecured consumer credit came into force in 2013.³ The credit market reacted quickly, however, instant loans changed in form and consumer credit became more flexible as bigger and longer-term loans became available. As a result, the average loan period increased, as did the amount in euros per loan (OSF 2017a).

Probably mainly as a result of the reform in the summer of 2013, the number of summary defaults began to decline in 2014 to 360 500 (Fig. 1), and continued until 2016 when the direction changed again: 376,000 defaults were settled in 2017 (Ministry of Justice 2018). Indeed, the amount of consumer credit obtained from credit companies accelerated significantly between 2016 and 2017 (Bank of Finland 2017), which probably reflects this increase. Despite these overall trends, there was at least one positive change related to debt problems: The number of judgments related to instant loans taken by young adults declined in volume after the reform. Nevertheless, the size of these judgments in terms of euros increased among all age groups (Majamaa et al. 2017).

Recent Developments Related to Payment-Default Notices

The number of people with a payment default was quite stable from 2005 to 2009 (Rantala and Tarkkala 2009; Suomen Asiakastieto Oy 2017a), but started to increase again in 2009 (Fig. 1), reaching 374 000 at the end of 2017. In practice, this means that approximately 8% of Finns

³ The law reform concerning consumer protection and interest rates came into force on 1 June 2013. Under the reform, an interest-rate cap (benchmark interest rate + 50%) was set on unsecured consumer loans of less than 2000 euros. In addition, creditors are fully obliged to check their clients' credit standing, even in relation to smaller loans.

aged 18 or over had a default rating at that time (Suomen Asiakastieto Oy 2018). With regard to the number of people who have been declared insolvent, the post-recession level of the 1990s has already been reached (Oksanen et al. 2015).

What Is Known about the Risk Factors Related to Over-Indebtedness?

The Democratization of Consumer Credit

According to a survey conducted by Finanssialan Keskusliitto (2015), over half of Finns aged between 15 and 79 years (55%) had at least some debt in 2015: Approximately, one third (31%) had housing debt, two fifths (39%) had some kind of consumer credit, and almost one in 10 (8%) had a student loan. Consumer credit was most common among the 35–54-year-olds, and instant loans among the 18–34-year-olds. Indeed, approximately one in 20 (4.7%) of the 25-to-34-year-olds had taken at least one instant loan in 2015, compared with less than 2% (1.8) in the whole population. According to the results of a later survey, consumers with a basic level of education and whose income was higher than their expenses were most likely to take instant loans (Finanssialan Keskusliitto 2017).

Indeed, those whose economic circumstances are poor rarely have the opportunity to make reasoned financial decisions: They may apply for low-interest and low-cost bank loans, but banks consider them risky clients and seldom grant such loans (Barr 2004; Hill and Kozup 2007). Moreover, credit cards are seldom issued to those on an irregular income or with a temporary job. Studies have shown (e.g., Castellani and DeVaney 2001; Raijas et al. 2010) that those experiencing financial difficulties tend to take on additional unsecured credit or to buy on hire purchase, which temporarily eases the financial situation, at least on the surface. In practice, it merely aggravates the debt problem.

Impulsive consumer decisions and their financing by means of credit lie behind many debt problems (Ottaviani and Vandone 2011). Consuming and buying are easy nowadays, and e-commerce is very popular because of the convenience (Civic Consulting 2011). E-commerce is more popular among the highly educated and those of the working age than among those with primary education and the elderly (Civic Consulting 2011; OSF 2017b). As a consequence, online shopping appears to cause increasing financial hardship among consumers (Majamaa et al. 2017).

Indeed, the strengthening of financial markets with easy access to credit has increased the need to acquire good financial skills and competence (Atkinson et al. 2006; Krippner 2005; Huston 2012; Taylor et al. 2011). Financially, capable consumers are able to react to changes in their economic situation, including sudden fluctuations, and thereby to avoid financial problems (Atkinson et al. 2006; Klapper et al. 2013). Inadequate skills, in turn, lead to poor financial decisions including incurring more expensive and disadvantageous credit, and thus to debt problems (Disney and Gathergood 2013; Huston 2012; Sevim et al. 2012; Taylor et al. 2011). Even so, van der Zwan remarks (2014) that many ordinary people make bad financial decisions in their everyday life.

Age, Gender, Household Structure, and Education as Risk Factors of Debt Problems among Finns

Young people in particular, who are still learning to become independent housekeepers, seem to end up in debt due to impulsivity in consumption, together with a low income, poor financial skills, poor self-control, and life-changing circumstances (Autio et al. 2009; Oksanen et al. 2015, 2016; Raijas et al. 2010; Valkama and Muttilainen 2008). For example,

the different types of unsecured instant loans issued by lending companies have caused problems among many young consumers in Finland (Autio et al. 2009; Majamaa et al. 2017; Rantala and Tarkkala 2009, 2010; Valkama and Mutttilainen 2008). However, the general picture is mixed. The middle-aged also have debt problems, but another category of people who have incurred problems in recent years is the over-55-year-olds, and extensive consumer credit seems to have played an important role in this (Majamaa et al. 2017).

Gender has also been linked to debt problems: Men seem to be more susceptible than women (Oksanen et al. 2015; Majamaa et al. 2016; Rantala and Tarkkala 2009; Valkama and Mutttilainen 2008). This has been attributed to, *inter alia*, risk behaviour, in that men take more financial risks than women (Grable 2008). Men are also more passive in seeking assistance to solve their debt problems, which only get worse when the search for help is prolonged (Goode 2012). Singles and the divorced also seem to have more debt problems than the married or widowed (Oksanen et al. 2015). Research findings further indicate that a lack of education is particularly strongly associated with debt problems (*ibid.*). The link is highly visible in the form of low disposable income and lacking financial know-how, both of which are known risk factors (French and McKillop 2016).

The comprehensive Finnish welfare system has the tools to protect citizens from social risks, which also applies to some extent to over-indebtedness (Hiilamo 2018). Even so, a high number of Finnish consumers take high-interest-rate loans (Bank of Finland 2017), and one structural cause of indebtedness seems to be the instant loan (Hiilamo 2018). Indeed, it has been found that the young and the retired in particular, as well as people on a low income, have weak financial skills and competence (Kalmi and Ruuskanen 2016): these groups appear to have a higher risk of incurring debt problems or their debt problems have increased during the last decade (Oksanen et al. 2015; Majamaa et al. 2017; Valkama and Mutttilainen 2008). However, despite the abundance of information on those who have debt problems, less is known about those who fall into debt because of the availability of new financial products, instant loans, and online shopping, for example.

Research Questions

Different population groups tend, on average, to differ in their ability to handle finances and in their access to financial resources. Debt problems and how the various socioeconomic characteristics of debtors are associated with them have been studied widely, but to our knowledge not on the basis of both original creditor and register data on debtors. Our specific focus in this article is on the Finnish court judgments related on debt. They are mainly consumption-related debts and we consider them as a drawback of “financialization of everyday.”

Given that the data comprise only debtors, we first give an overview of debtors in response to the following question: Do debtors who have received a debt judgment differ from the population of Finland in general in terms of age, gender, marital status, and educational background? These socioeconomic characteristics are also considered in the different age groups. Our choice of selected variables was based on a previous research and the easy availability from public population statistics (OSF 2017c). We assume from previous research literature that the young, the males, the single, the divorced, and the less highly educated are over-represented in our data of debtors, whereas the elderly, the women, the married, and the highly educated are under-represented compared to the population in general. We compare debtors to the population of Finland by age, gender, marital status, and education (%) and calculate the confidence intervals for these percentages (see Figs. 2, 3, 4, 5, and 6).

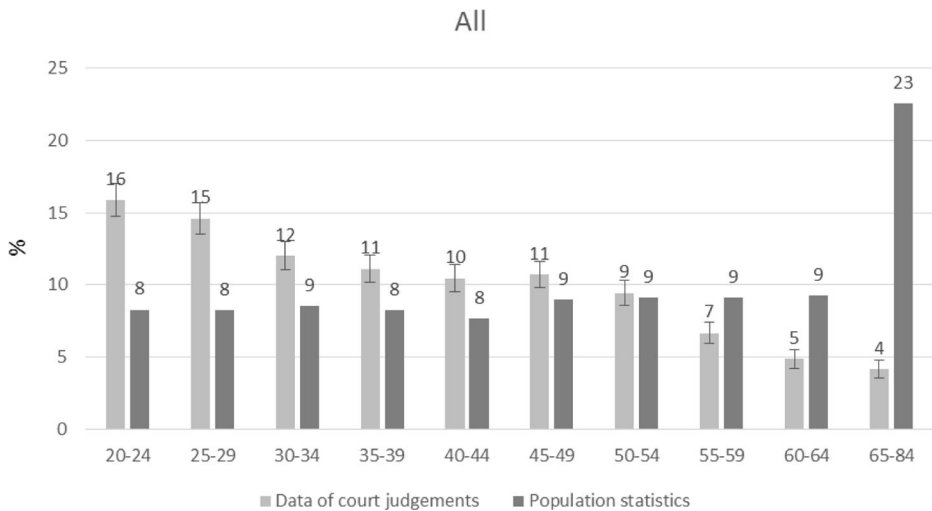


Fig. 2 Percentages of age groups among the debtors ($n = 4140$) and the Finnish population in 2013

Managing one's own finances and debts is a required skill in the current financial markets. In particular, aggressive marketing and the wide availability of unsecured loans, the ease of online shopping, and the abundance of payment methods make financial management difficult and create debt problems. In the second part of the analysis, we first give an overview of the different debt types that emerge from the court judgments. We expected the most common types of debt leading to debt claims to relate to consumer credit, operator services, distance-selling firms, and credit-card indebtedness (Majamaa et al. 2017). Our second research question is thus: Do the debtors differ on the basis of their socioeconomic characteristics (age, gender, marital status, and education) in judgments related to consumer credit, operator services, distance selling, and credit card debts? We expected, in particular, that higher percentages of those in younger age groups, men, single, and divorced people, as well as the less highly educated, would have incurred the first three types of debt (consumer credit, operator services, and distance selling) than those in the older age groups, women, the married, and the more highly educated, representing the negative effect of financialization and, to some degree, the lower level of financial skills in the latter groups. We further expected debtors with debt judgments related to unpaid credit card bills to stand out from other types of debtors. Holders of credit cards are by definition in a better financial position regardless of age and educational level: Banks only give credit cards to customers in a good socioeconomic position.

Data and Methods

Data on Debt Judgments

Debt judgments comprise an interesting data source for at least three reasons. First, together with register data, they give a general picture of Finns who have problems repaying their consumption-related debts. Second, they shed light on the original creditors: Who is owed money and what bills and loans are consumers unable to pay. Third, combined with register

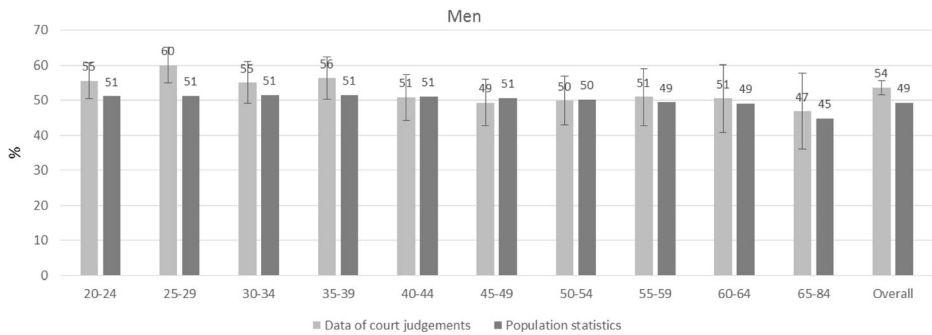


Fig. 3 Percentages of men (%) by age group in the data on debtors ($n = 4140$) and in the Finnish population in 2013

data, they show more clearly how the sociodemographic and socioeconomic characteristics of debtors relate to different types of debt. This knowledge will help in the fight to improve financial capability, for example.

The analyses are based on 4962 debt judgments, dating from 1 January 2014 to 30 June 2016.⁴ They were selected through random sampling. We read through the judgments individually and coded the information manually, which made it possible to categorize debt types more carefully than in previous Finnish studies (Rantala and Tarkkala 2009, 2010; Valkama and Muttialainen 2008).

The material covers several types of debt, in other words, there are many original creditors (see Table 1). We define lending companies as companies (excluding traditional banks) offering unsecured consumer credit. This category includes one-time instant loans, consumer-credit loans, and flexible credit,⁵ for example. Debts related to lending companies were further classified into two more specific groups: instant loans and larger amounts of consumer credit. In the latter case, the loan periods were longer, the loan amounts were bigger, and the interest rates were lower. The category distance selling refers to debts incurred from online shopping and credit accounts attached to commodities related to e-commerce. In these cases, acquiring a loan was linked to a product, and the consumer could not access the loan capital for his or her own use. Unpaid bills from telephone operators related to telephone connections and Internet services, whereas the TV category, included Internet-based television services. Bank-related debts were categorized as credit card debt, bank loans, bonds, and other banking issues. In addition, some judgments related to the following types of indebtedness: rent, electricity, and other housing expenses, newspapers and periodicals, and credit accounts attached to commodities. They also included online peer-to-peer loans,⁶ unpaid invoices related to health services offered by the private sector, other debts, and unknown (those that could not be determined from the judgments).

⁴ We can assume that all unpaid debts were incurred after the 2013 introduction of tighter creditworthiness obligations, whereas it takes approximately five months to get a court judgment if a consumer does not pay a bill or does not repay a loan (Majamaa et al. 2016).

⁵ Flexible credit came to the Finnish credit market after the legal reform of 2013. The amount of flexible credit is usually at least 2000 €, but consumers can draw on the credit in smaller amounts.

⁶ Online peer-to-peer lending is a crowdfunding method where several investors invest and at the same time lend money online through the peer-to-peer agency to the loan seekers.

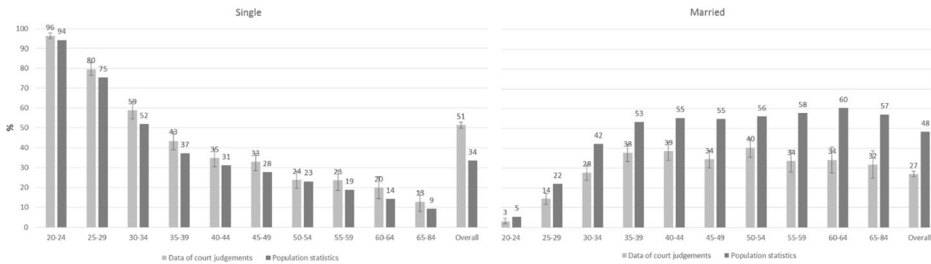


Fig. 4 Percentages of single and married people by age group in the data on debtors ($n = 4140$) and in the Finnish population in 2013

Population Statistics and Register Data

Data on the age, gender, marital status, and educational level of the Finnish population were obtained from Statistics Finland's StatFin database (OSF 2017c). Background information on the debtors was also ordered from Statistics Finland and included sociodemographic and socioeconomic characteristics such as family structure, occupational status, and educational level in 2012–2014. To give an overall picture of debtors, we used age, gender, marital status, and educational level as variables for this article. We selected the year 2013 because the data concerning that year were the most comprehensive.

The data on debtors and Statistics Finland's population statistics were classified into age groups spanning five years, starting from 20 to 24 years and ending at 60–64 years. However, the oldest group covered 20 years (65–84-year-olds), given the very low proportion of debtors among them (4.1%): the oldest debtor was 84 years old. Marital status was classified into four categories: single, married, divorced, and widowed; those in a registered partnership were classified as being married. The level of education was classified into three categories: basic, secondary, and tertiary. Debtors with no qualification beyond compulsory school were classified on the basic level; those with matriculation or vocational-school diploma, or who had a special vocational qualification, were placed on the secondary level; those who had at least a college degree were classified as being on the highest, tertiary level. The StatFin database of education-related statistics includes all people aged 75 and over in the age group of at least 75 years of age. As a result, the oldest Finns aged 85 and over were included in the analysis regarding their educational level. A debt problem may arise at any age, in other words, the age limit of 84 years for age, gender, and marital status is based solely on the data.

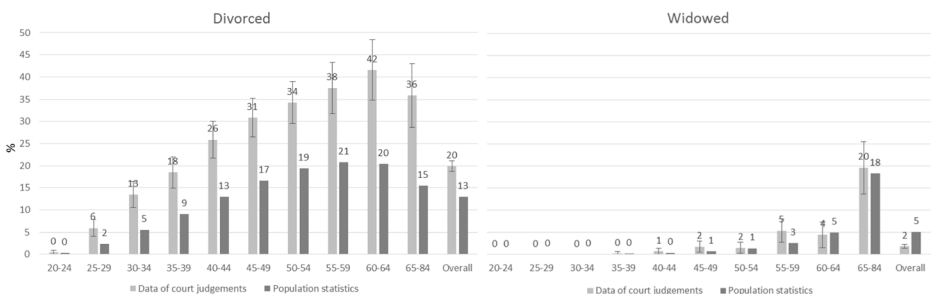


Fig. 5 Percentages of the divorced and the widowed by age group in the data on debtors ($n = 4140$) and in the Finnish population in 2013

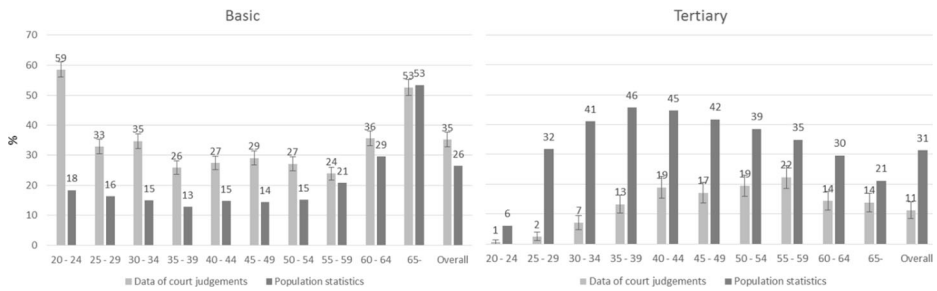


Fig. 6 Percentages of people with a basic and a tertiary education by age group in the data on debtors ($n = 4140$) and in the Finnish population in 2013

In the comparisons between debtors and the population statistics, the phrase “entire population” refers to the Finnish population aged either 20–84 years ($n = 4\,113\,628$) or at least 20 ($n = 4\,242\,703$). The former analysis relates to age group, gender, and marital status, and the latter to educational level.

The Scope of the Data

The analysis was limited to individuals aged 20 or over, given that the district-court data included only 53 debtors aged 18–19 at the time the debt judgment was given. We further supported this precondition by focusing the analysis strongly on marital status and education. According to the population statistics, most 18–19-year-olds were single in 2013 (99.4%), and only 14.3% of this age group had finished secondary education.

Debts that had been paid off during the legal process or that related to business or post-collection⁷ were excluded from the analysis, as were debtors who were involved in the process several times⁸ (Table 1; $n = 4157$). The court judgments that lacked information about the debtor’s age and cases in which neither marital status nor educational level could be linked to the debtors were also excluded. The number of debtors analysed in Figs. 2, 3, 4, 5, and 6 and Table 1 was 4140.

As the data shows, 31.3% of the debtors had more than one capital debt.⁹ The debtors in such cases were classified into multiple debt types in the analyses relating to different types of debt, hence the aggregate sum of percentages in the columns exceeds 100 (Table 1). Debts that represented the same category of origin, such as a telephone operator or an electricity company, did not increase the proportion of these types of debt.

Methods

The same principles were used with both sets of data to calculate percentages regarding age groups, gender, marital status, and education. In terms of marital status, for example, the percentages of the four categories (single, married, divorced, and widowed) summed up to 100% in each age group and, respectively, in the overall category. If the age-specific percentages

⁷ Post-collection may take place if successful collection is unlikely due to the debtor’s insolvency or lack of funds defined by enforcement. In cases of post-collection, the creditor’s right to the debt claim remains, and the debt does not expire. Thus, the creditor may claim the debt later if the debtor’s financial situation improves.

⁸ The extra court judgments involving those who appeared twice or three times in the data were removed using Stata’s duplicates drop command.

⁹ On average, a court judgment covered 2.1 instances of debt capital, the maximum being 53.

Table 1 The percentages of the debt types in the debt judgments ($n = 4157$) in 2014–2016 (%)

Types of original debts/creditors	%	Number of debt types by debt judgments ¹
Lending firms	36.2	1506
Instant loan	30.7	1278
Larger amounts of consumer credit	5.5	229
Distance-selling firms	16.3	678
Online shopping	9.3	387
Financing combined with a purchase (e-commerce)	7.0	291
Credit accounts attached to commodities	1.9	79
Operator	9.7	403
TV	1.1	45
Rent	7.8	324
Electricity (housing)	4.0	168
Other housing expenses	2.6	106
Newspapers and periodicals	3.2	133
Credit card debt	7.9	330
Bank as creditor	3.6	150
Bond	0.9	36
Other banking issues	0.5	22
Peer-to-peer loans	1.4	57
Health services offered by the private sector	1.1	44
Other	9.1	379
Unknown (could not be determined)	0.2	8
<i>N</i>	4157	4468

¹ Some debt judgments included more than one debt type

of debtors did not comply with their percentages in the Finnish population, we could claim that debtors were over- or under-represented in the respective sociodemographic groups.

We measured the statistical significance of the differences by calculating the confidence intervals for the percentages of the data on debtors, at a 95% confidence level. These confidence intervals are shown in conjunction with each bar formed from the data on debtors (see Figs. 2, 3, 4, 5, and 6). If the difference between the percentages of the data on debtors and the population statistics was statistically significant, the lines indicating the confidence interval did not match the age-related bar of the general population. In this case, it could be said that the underlying factor was associated with the age group of the debtor. It should be noted when interpreting the results that they can only be generalized to debtors (private individuals) who were given a debt judgment in 2014–2016.

The relationship between the sociodemographic-background variables and the four different types of debt is examined through a cross-tabulation. The statistical significance is tested by means of the chi-square test. The chi-square test determines whether there is a relationship between two categorical variables. The difference between categories is statistically significant if the p value is 0.05 or smaller. The value of the test result and the p values are reported in Table 2. Stata 15 software was used in all the analyses.

Results

Comparisons between Debtors and the Population Statistics

When we compared the proportion of debtors in the different age groups with the entire population of Finland, over-representation among the younger age groups of debtors turned to

Table 2 Four types of debt by age, sex, marital status, and level of education (%) in 2013 ($n = 4140$)

	Lending firms			Instant loans			Larger amounts of consumer credit			Distance-selling firms			Operator			Credit card debt			At least one of the four debt types		
	%	Khii ²	<i>p</i> value	%	Khii ²	<i>p</i> value	%	Khii ²	<i>p</i> value	%	Khii ²	<i>p</i> value	%	Khii ²	<i>p</i> value	%	Khii ²	<i>p</i> value	%	Khii ²	<i>p</i> value
Age group																					
20–24	15.9	42.1	24.0	0.004	67.8	0.000	0.2	93.4	0.000	18.4	17.8	0.037	16.1	49.2	0.000	2.6	51.5	0.000	79.2	52.2	0.000
25–29	14.6	36.4			34.4		2.0			19.4			11.1			5.1			71.5		
30–34	12.0	36.8			32.1		4.6			16.5			8.2			8.0			69.1		
35–39	11.1	32.6			27.0		5.7			16.1			8.9			10.7			67.8		
40–44	10.5	32.8			24.5		8.3			17.6			8.3			9.9			68.1		
45–49	10.7	31.5			24.8		7.0			15.3			7.9			8.3			62.6		
50–54	9.4	34.0			25.1		9.0			13.8			6.9			9.7			63.9		
55–59	6.7	40.8			31.1		9.8			10.1			6.1			11.6			67.9		
60–64	4.9	38.6			28.7		9.9			16.8			5.5			10.9			71.8		
65–84	4.2	40.5			30.1		10.4			13.3			12.1			11.6			76.9		
Gender			1.7	0.199	0.2	0.670		13.2	0.00	48.6	0.000		15.7	0.000		7.5	0.006		7.3	0.007	
Men	53.6	35.5			31.2		4.3			12.6			11.4			9.0			68.2		
Women	46.4	37.4			30.5		6.9			20.7			7.8			6.7			72.1		
Marital status			14.8	0.002		55.8	0.000		57.8	0.000	2.1	0.552	7.2	0.067		28.6	0.000		10.9	0.012	
Single	51.3	39.1			36.1		3.1			16.2			10.7			6.0			71.7		
Married	26.9	33.2			24.5		8.7			16.4			8.8			11.2			68.9		
Divorced	19.9	33.5			26.6		6.9			16.0			8.9			8.3			66.4		
Widowed	1.8	39.5			26.3		13.2			22.4			4.0			11.8			77.6		
Educational level			15.4	0.000	4.4	0.113		18.2	0.000	26.9	0.000		8.7	0.013		11.8	0.003		0.3	0.3	
Basic	35.2	33.1			29.4		3.7			19.2			11.5			6.2			69.6		
Secondary	53.6	37.2			31.1		6.1			16.0			8.6			8.6			70.1		
Tertiary	11.2	42.7			34.5		8.4			9.1			9.5			10.6			70.9		
All	100.0	36.4			30.9		5.5			16.4			9.7			8.0			70.0		
<i>N</i>	4140																		4140		

under-representation among the older groups aged from 55 to 59 years onwards (Fig. 2). In particular, there were considerably fewer 65–84-year-old debtors than might have been expected based on the population statistics. The differences were statistically significant in the other age groups with the exception of the 50–54-year-olds. When we considered men and women separately (results not shown), we found a notable difference only in the group aged 25–29 years: The proportion of male debtors was slightly higher than that of female debtors (16% vs. 13%), whereas in the population statistics men represented 8.6 and women 7.9% of the whole population.

A comparison based on gender showed statistically significant differences among both men and women in the combined category (only the figure for men is shown, Fig. 3). Men accounted for 54% of debtors, as opposed to the 49% on the population level. The corresponding figures for women were 46% and 51%. On the other hand, the gender difference between the specific age groups was statistically significant only among 25–29-year-olds (Fig. 3). Again, men accounted for 60% of debtors in this age group against 51% on the population level, and the corresponding figures for females were 40% and 49% (results not shown). More women than men were in the oldest 65–84 age group (53% vs. 47%), but the difference was not statistically significant. The gender difference was bigger on the population level (55% vs. 45%), women tending to live longer than men.

In terms of marital status, singles were over-represented in the data on debtors, both in the overall category and in the individual age groups (Fig. 4, left-hand side). Statistically significant differences were found in the overall category, and among the under 40s and the 45–49-year-olds. When we considered both sexes separately (results not shown), we noted that singles were over-represented in all age groups, although the differences were statistically significant only among 30–39-year-old men and 20–29-year-old women.

Married people were under-represented in the data on debtors (Fig. 4, right-hand side), the differences being statistically significant in all the age groups. The results were very similar among both men and women (results not shown): The difference between the two data sets failed to reach the statistical significance only among married men aged 20–24 years.

Among the debtors, those who had divorced were over-represented both in the overall category and in all age groups except among the 20–24-year-olds (Fig. 5, left-hand side). Then again, there were very few divorced people in this group, to begin with, given the young age. The results were very similar when we considered men and women separately (results not shown).

However, the widowed were underrepresented in the data on debtors (Fig. 5, right-hand side), although it is pointless to consider people under the age of 55 given the small number of widows and widowers among them. There were statistically significant differences only in the age group of 55–59-year-olds, and in the overall category. In terms of gender differences (results not shown), only 55–59-year-old widowers were over-represented among the debtors. The results were similar among the widows but the differences were not statistically significant.

In terms of education, the link between a low level and debt problems was clear (Fig. 6). The overrepresentation of those with a basic education was apparent in general (in the overall category, 35% vs. 26%), but the difference was particularly noticeable among the 20–24-year-olds (59% versus 18%). The differences were statistically significant in all other age groups except those aged 65 or more. According to the analysis by gender (results not shown), differences were evident especially among the 20–24-year-olds: 62% of the female debtors had

a basic education whereas the corresponding figure in the population statistics was 16%, and the respective percentages among the men were 56 and 20.

Individuals educated to the secondary level were also overrepresented among the debtors (results not shown): 54% compared with 42% among the Finnish population. There was one exceptional age group with this educational status; however, the proportion of debtors among 20–24-year-olds was 41% compared to 76% of the total population.

Respectively, those with a higher educational level were underrepresented in all age groups (Fig. 6, right-hand side). This underrepresentation was significant in all the age groups comprising the under the 50s, but it was especially evident among the 25–29-year-olds. The differences between men and women were very similar among the overall group (results not shown), but the percentage figures for women in all the age groups were higher across the board. This result is at least partly attributable to the fact that Finnish women nowadays are, on average, more highly educated than men (OSF 2010).

We found that the debtors differed from the population of Finland in general in terms of gender, age group, marital status, and educational background. In short, the assumptions we made earlier that the young, males, the single, the divorced, and the less highly educated would be overrepresented among the debtors are supported. Accordingly, debt problems are generally more common in those socio-demographic groups. All age groups among the under the 50s were overrepresented in the data on debtors, and those aged 55 years and over were underrepresented (Fig. 2). Debt problems were particularly rare among the 65–84-year-olds, whereas among the 20–24 and 25–29-year-olds the numbers of people in debt were almost double with what one might expect given the population statistics. The gender difference, in favour of men's debt problems, was statistically significant only among the 25–29-year-olds. The overrepresentation of single women was not clear in the age-specific analyses of marital status, for example, and the differences were not statistically significant in the older age groups. The results also revealed a strong association between education and debt problems: Those with a basic level of education were overrepresented in the data on debtors except among those aged 65 years or more, whereas the most highly educated were underrepresented in all age groups, especially among the under the 50s (Fig. 6).

Different Types of Debt

Table 1 shows that four most common debtors or debt types were lending firms (other than banks) (36.2%), distance-selling firms (16.3%), operator services (9.7%), and unpaid credit card bills (7.9%). The results resemble those reported in the previous findings (Majamaa et al. 2017), even if debts related to the post-collection process were excluded from the analysis. We did not consider other debt types (9.1%) in our closer analysis: This category included many kinds of debt including unpaid insurance and school photography bills. We also excluded debt judgments related to rent (7.8%) from the analysis, because these debts relate to housing.

As Table 2 shows, the most common debt-collection cases were related to lending firms¹⁰ (36.4%). The proportion of instant loans was relatively high (30.9%), and this kind of debt was most common among those under 25 years of age (42.0%). Given that less than 5% of Finns under the age of 35 had taken an instant loan (Finanssialan Keskusliitto 2015), and that those under 30 years of age are overrepresented in the data on debtors (Fig. 2), this result is notable. In percentage terms, the incidence of a more extensive consumer credit was considerably lower (5.5%), and those over the age

¹⁰ The percentage values differ slightly between Tables 1 and 2. The register data lacked information on some debtors' marital status and/or educational level, and they are excluded from Table 2.

of 50 carried much of the burden. Surprisingly, debts of this kind were most common among the 65–84-year-olds. There were no gender differences among those with instant loans, but women were more heavily indebted than men with regard to larger amounts of consumer credit.

Debts related to instant loans were particularly common among those who were single, whereas the widowed in particular were burdened with a larger consumer credit (Table 2). In terms of both marital status and age (results not shown), the higher proportion of younger single women with instant loans remained statistically significant, whereas the widowed in the oldest age group did not differ from their counterparts in the other marital status groups in incurring larger amounts of consumer credit.

Educational level was also associated with debts to lending companies. Those with a tertiary-level education were more heavily indebted than those with a basic education, whereas the debtor's education was not associated with instant loans (Table 2). Even so, debtors with a tertiary education were more likely to have debt problems related to an instant loan than those with a basic level of education (34.5 vs. 29.4%). This result is interesting given the finding in a previous study (Finanssialan Keskusliitto 2017) that instant loans are more likely to be taken by consumers with a basic level as opposed to a higher level of education.

Approximately, one sixth of the debt capital (16.4%) in the debt judgments related to distance-selling firms (Table 2). These types of debt were most common among those under 30 years of age and affected a higher proportion of women than men (21% vs. 13%). Marital status was not statistically significantly related to this type of debt, but education was: Those with a basic level of education were more than twice as likely to have unpaid debts to distance-selling firms than those educated to the tertiary level.

Debts related to operator services were the third most common to require a debt judgment, with a share of 10% (Table 2). The biggest proportion of those affected was under 25 years of age (16%), but approximately 12% of people in the oldest age group (65–84 years) had debts linked to unpaid bills for operator services. Men were more likely to have incurred these types of debt than women (11% vs. 8%), and those with a basic level of education (12%) were slightly more indebted to telecommunications companies than those educated to the secondary (9%) or tertiary level (10%).

Younger debtors seldom had credit card-related debts (Table 2). Those who did were more likely to be men (9%) than women (7%), and were more likely to be married (11%) or widowed (12%) than single (6%) or divorced (8%). Furthermore, those educated to the tertiary level were almost twice as likely to have unpaid credit-card debt than those with a basic level of education.

The four most common types of debt (consumer credit,¹¹ operator services, distance selling, or credit card indebtedness) included 70% of the debts in the judgments (Table 2). These debts were especially common among the youngest (79%) and the oldest (77%) age groups, whereas the middle-aged (45–49) had the lowest percentage (63%). Furthermore, although the debtors' educational levels varied considerably when the four different debt types were considered separately, there were virtually no differences when they were considered as one category (Table 2).

Our results revealed that the debtors differed on the basis of their socioeconomic characteristics (age, gender, marital status, and education) when consumer credit, operator services, distance selling, and credit card indebtedness were considered separately. Furthermore, our assumption that the proportions of younger people, men, the single, the divorced, and the low-skilled incurring the first three types of debt would be higher was supported in some respects. According to our findings, instant loans burdened those under 25 and the single in particular, whereas against our assumption

¹¹ Including both instant loan and larger amount of consumer credit.

larger amounts of consumer credit were most common among people over 65, women, the widowed, and those with the highest level of education.

Furthermore, debts related to distance selling were especially common among those under the age of 30, women, and those with a basic education. Operator services were of most concern to the under 25 s and were more likely to affect men than women. Debts related to operator services were slightly more common among those with a basic level of education compared to their more highly educated counterparts. As expected, credit card debts were most common among the highly educated, but interestingly, the married and the widowed were more indebted than the single and the divorced.

Discussion and Conclusions

Linking the data on debt-related court judgments to register-based data made it possible to compare debtors with the entire population of Finland in terms of age, gender, marital status, and education. Indeed, the overrepresentation of the younger age groups among the debtors contrasted with the underrepresentation of those aged 55–59 and older. In addition, men were overrepresented, and women were underrepresented among the debtors: Men comprised 54% against 49% of the population, the corresponding figures for women being 46% and 51%.

When both gender and age were taken into account, the overrepresentation of men and the underrepresentation of women were statistically significant only among the 25–29-year-olds. In terms of marital status, the single and the divorced were overrepresented among the debtors, whereas the married and the widowed were underrepresented. Education was also strongly linked to being the recipient of a court judgment for debt. Those educated to the basic or secondary level were overrepresented among the debtors compared to the Finnish population, whereas those with the highest level of education were clearly underrepresented.

New loan products, credit grantors, and consumer groups in financial markets were apparent in the data on debt judgments. According to the results, 36% of the debt judgments concerned debts to a lending company, particularly instant loans (31%): Only 6 % of them related to larger amounts of consumer credit. One in every six judgments concerned distance sales, whereas operator services were associated with approximately one in 10 and credit card indebtedness to one in 12 judgments.

We wish to draw attention to two of our findings in particular. The first relates to instant loans. According to previous surveys, the number of consumers who apply and get an instant loan is very low (Finanssialan keskusliitto 2015, 2017), but our results reveal that the number of people who incur debt problems because of this type of loan is very high, especially among young adults. Second, the four most common debt types featured strongly in the youngest and the oldest age groups (Table 2). People in these age groups are subject to a combination of risk factors, including the lack of financial literacy, lowering income due to moving out of the nest or retirement, and challenges in a digitized financial environment. It should be borne in mind, however, that most young adults and retirees manage their financial matters competently.

Contrary to our assumptions, the most highly educated had incurred a bigger relative share of debt to lending companies than those with a basic education. This may well be related to the legislation in Finland that came into force in the summer of 2013 and tightened the obligation of creditors to check their customers' creditworthiness even when considering small loans to consumers (KKV 2014). No income data were used in this analysis, but given the strong positive correlation between educational and income level (Koerselman and Uusitalo 2014), the bigger proportion of the highly educated, and presumably also of those with a higher

income, among those indebted to lending companies is not surprising. It is, therefore, safe to assume that at least some lending companies nowadays give closer consideration to potential borrowers' financial resources and their ability to repay the debt.

The ease of e-commerce was evident in all age groups, although slightly more strongly among those under the age of 30 than in the general population. Unexpectedly, women incurred a higher proportion of these types of debt than men, especially given the relative similarity in their online shopping habits, for example (OSF 2017b). This result implies a need for further research. Those with a basic education also stood out in terms of indebtedness related to distance selling. This is associated nowadays with the opportunities available to finance purchases in an easy and flexible manner despite having insufficient financial resources, to begin with, as long as there is no recorded history of a payment default. Online purchasing may also be impulsive, given the infinite supply of commodities and the easiness of buying (Ottaviani and Vandone 2011).

The percentage share of debts related to telecommunications services was surprisingly high, especially among the 20–24-year-olds (16.1%), whose social life is heavily affected by Internet connections. Overrepresentation among men was also an interesting finding. The high relative proportion of this type of debt may be associated with general economic hardship—money is simply not available even for paying a mobile phone bill—or payment difficulties associated with other problems of life management. Further research based on other types of data is needed to explore this phenomenon.

Credit cards are issued to consumers in a good financial position, which is reflected in our results: This type of debt was most common among those at least 30 years of age and the highly educated. Moreover, the married and the widowed were more likely to have a credit card-related debts than the single and the divorced, even if these groups were underrepresented in our data (Figs. 4, 5, and 6).

Living on credit has become a way of life among young adults (Houle 2014), which is also reflected in the considerable number of debt problems in this group. The young and those with a low level of education, in particular, were overrepresented among debtors who had received a debt judgment—groups that may be deficient in terms of financial capability (French and McKillop 2016; Kalmi and Ruuskanen 2016). The types of debt that stood out among the under 25s were closely linked to the strengthening and expansion of the financial markets, in other words, instant loan as well as distance selling.

The oldest age group, comprising people aged 65 and over, also stood out in the findings on different types of debt. Debt that originated from telecommunications services, credit card indebtedness, and lending companies, and larger consumer loans, in particular, were common in this age group. Retirement, divorce, and widowhood reduce available household income and contribute to the development of debt problems. However, the results showed that the over 65s were underrepresented in the data on debtors (Fig. 2), the implication being that consumption-related debt problems are still generally minor in older age groups. However, recent surveys and statistics show an increase in such problems in the older population in Finland and other Western countries (Civic Consulting 2013; Lusardi et al. 2017; Majamaa et al. 2017; Suomen Asiakastieto Oy 2017b).

This article gives an overview of recent Finnish court judgments related to debt from the private sector, most of which originates from consumption, and of the debtors in question. Given that the data consisted exclusively of debtors, we decided to compare them with the whole population of Finland. This enabled us to find out more about them and the extent to which they differ from the Finnish population in terms of age, gender, marital status, and education. However, some of the

information was lost because the under 20-year-olds were excluded from the data, and the 65 to 84-year-olds were classified in the same age group. The low proportion of widowed persons in the data also made it impossible to draw conclusions as to whether they had more debt problems than Finns on average. In terms of marital status, the analysis was not without problems in any case. Marital status yields an incomplete picture of living patterns in Finland given the high prevalence of cohabitation, especially in younger age groups (OSF 2017d).

The results showed the importance of financialization in the formation of debt problems on a general level and that ordinary people are vulnerable to financial risk (Poppe et al. 2016; van der Zwan 2014). We were also able to significantly refine earlier research findings in considering various types of debt more closely. On the other hand, our results indicate that legislation has been able to modify the negative effects of financialization in some respects, at least for the time being, in that those with more than the basic level of education were more heavily indebted to lending companies. This finding supports the claim legally obliging creditors to check their customers' ability to pay back the debt (KKV 2014) has been partly successful, at least if educational level gives some indication of financial resources. By implication, lenders' liability in the granting of credit should be extended further to include online shopping, for example.

Objective, public documents, and register-based data formed the backbone of this research. Respondent rates in surveys are quite low nowadays: Men, younger people, and the less highly educated in particular are less likely to respond than women and both older and more highly educated people (Korkeila et al. 2001). This may well be one reason for the low proportion of consumers taking an instant loan in 2015 (Finanssialan Keskusliitto 2015), and respondents are perhaps also embarrassed to reveal that they have taken such a loan. Furthermore, lending firms do not give any information about their consumer base, and official statistics related to loans and debt problems are more difficult to obtain nowadays (OSF 2015; Suomen Asiakastieto Oy 2011). Overall, our data could provide more detailed and novel information about debtors and original creditors.

Our results showed that debts are largely used as tools for financing minor consumer needs, and they cause problems, especially among young adults. Consumers' good financial skills are a necessity today's financialized society (Krippner 2005). There is an evident need to strengthen the financial capability of younger and older consumers in particular, and without guidance, many of them will also face debt problems in the near future. For instance, every year thousands of new, susceptible consumers reach the age of majority, and to become a responsible consumer is a challenging but crucial goal in the current era of financialization (Allon 2015; OECD/INFE 2016). In sum, over-indebtedness should be recognized as a social risk that needs collective solutions across all levels of a financialized society (Hilamo 2018).

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